Report Says Web Services Could be Taxed Under Bill Eshoo Opposed

October 25, 2007

Report Says Web Services Could Be Taxed Under Bill Eshoo Opposed

October 25, 2007

WASHINGTON - According to the Congressional Research Service (CRS), language included in the House-passed Internet Tax Freedom Act Amendments Act of 2007 (H.R. 3678) could allow for the taxation of e-mail and other web-based services. Under the current Internet tax moratorium, any service that enables users to access content can not be taxed.

Congresswoman Anna G. Eshoo, D-Palo Alto, the House leader on making a strong Internet tax moratorium permanent, was one of two members to vote against H.R. 3678.

"The report of the CRS that recent House legislation with a limited moratorium falls short is deeply troubling," said Eshoo. "That's why I voted against it and that's why there's a continuing, permanent case to be made for a comprehensive, permanent ban on Internet taxes."

"I am not going to quietly sit by and let millions of consumers be exposed to huge new taxes on their Internet usage," said Sen. Ron Wyden, D-Oregon. "Innovation is the key to our economy. We need to be opening doors, not closing them."

The CRS assessment came in a memo addressed to Wyden, who authored the original Internet tax moratorium in 2001 with now SEC Chairman, Christopher Cox. The memo indicates that by limiting the Internet tax moratorium to "a service that enables users to connect to the Internet," services that connect users to the Internet could not be taxed; however services accessed once connected to the Internet could be.

As the memo explains "if an Internet user utilized one provider to connect to the Internet and another paid provider of, for instance, email services, the connection provider would be covered by the moratorium but not the paid email provider. Under the current moratorium, each would be covered."

Earlier this year, Eshoo and Wyden introduced identical Senate and House legislation, the Permanent Internet Tax Freedom Act of 2007 (H.R. 743 and S.156). The bills would make permanent the current Internet tax moratorium, which is schedule to expire on November 1.

CRS Memo on House-Passed Internet Tax Bill

More on Eshoo and Internet Taxes

##